

TOP SECRET

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TOP SECRET

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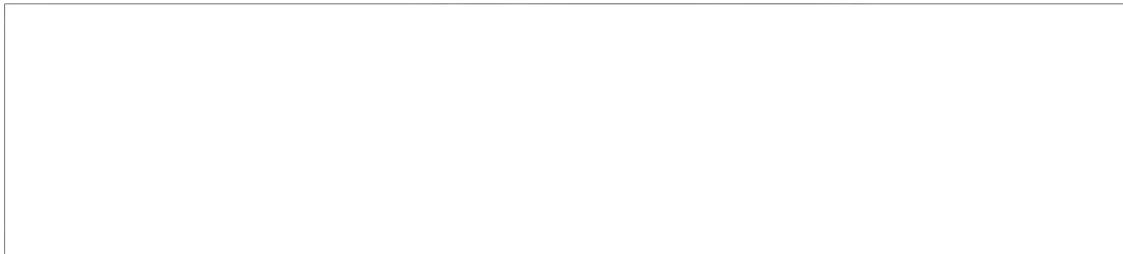
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THE FORMOSA STRAITS
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GENERAL

1. Soviet leaders reportedly promised Tito change in policy toward Satellites:

The Soviet leaders told Yugoslav president Tito at Brioni that there would be a change in their policy toward the Satellites, but that time would be needed for this,

These Soviet statements were in answer to Tito's stand that the further development of Yugoslav-Soviet relationships depends on the Soviet attitude toward the Satellites, which would serve as proof of the Soviet Union's real intention.

Comment: Since the Soviet visit, Yugoslav official statements have claimed that the Satellite-Soviet relationships would inevitably change, but this is the first report of any specific promise by the Soviet leaders.

While there has been no significant change in the Soviet-Satellite relationships, the USSR has been reducing the obvious aspects of some of its controls and attempting to make the Satellites appear independent. The fundamental reliance of the Satellite regimes on Moscow will allow the USSR to continue to increase the use of more sophisticated controls, as has already been evidenced by the dissolution of most of the joint stock companies and the increased use of "co-operative" organizations to co-ordinate planning.

2. Two high-ranking Soviet newsmen to visit Egypt:

D. T. Shepilov, member of the Soviet Communist Party secretariat and presumably still chief editor of Pravda, recently told the Italian ambassador in Moscow that he was leaving on 19 July to attend the Egyptian liberation day celebration on 23 July, according to the American embassy in Moscow.

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Comment: Prime Minister Nasr's invitation to two of the highest-ranking newsmen in the USSR may be the result of increased friendly Soviet-Egyptian contacts during the past several months, especially in connection with reported Soviet offers of economic, technical and military assistance.

Soviet propaganda media can be expected to exploit the visit fully. A man of Shepilov's rank would be in a position to invite Nasr for an official visit to the USSR. Similar invitations have been issued to other heads of governments.

SOUTHEAST ASIA

3. Comment on Saigon riots:

The rioting which broke out in Saigon on 20 July is an outgrowth of government-sponsored demonstrations in connection with an "anti-Communist week," which was climaxed by the observance of 20 July--the first anniversary of the Geneva agreement--as a national "day of mourning."

During the riots, the most violent of a series of government-sponsored anti-Communist actions, two hotels quartering personnel of the International Control Commission were sacked and the Indian chairman of the ICC reportedly was manhandled. The commission has since claimed that the attitude of the South Vietnam government is preventing it from functioning and has decided to request instructions from Britain and the USSR, the co-chairmen of the 1954 Geneva conference.

In promoting anti-Communist demonstrations and condoning abuse of the ICC, the Diem regime appears to be interested in enhancing its own popular support and in causing a withdrawal of the ICC from Saigon.

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The rioting has placed the French in a difficult position. Bound by the Geneva agreement to protect ICC personnel, the French are faced with the dilemma of risking clashes with the anti-Communist Vietnamese, or of being accused by the Communists of further violating the Geneva agreement.

Indian prime minister Nehru may hold the Diem government responsible for the riots. This might result in a hardening of the attitude of Indian personnel operating in Laos and Cambodia as well as in South Vietnam. India is not likely, however, to jeopardize the Geneva agreement by withdrawing from the ICC.

There have been indications that Viet Minh agents have been active among the demonstrators. The Viet Minh will presumably contrast the situation in Saigon with its own "co-operative" attitude toward the ICC and "faithful adherence" to the Geneva agreement.

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4. USSR not to press for Vietnam-Viet Minh election talks now:

Regarding the Indian proposal of 14 June that the two co-chairmen of last year's Geneva conference promote consultations between the two Vietnamese governments on the subject of elections, the USSR has informed Britain that steps to carry out this proposal "might be postponed for the time being" to allow the Diem and Ho Chi Minh regimes "an ampler opportunity for reaching an agreement on conducting negotiations in accordance with the Geneva agreements." Britain is informing the Soviet Union that it shares this view.

London had previously informed New Delhi that it did not think a formal step such as suggested by India was necessary.

Comment: The decision of the International Control Commission in Saigon to seek instructions from the USSR and Britain following the riots on 20 July will provide the USSR an excellent opportunity to raise at Geneva the subject of

Indochina in connection with a request for a conference on Far Eastern questions later in the year. Soviet leaders apparently are being very careful not to damage their negotiating position before Far Eastern questions are discussed at Geneva.

Moscow's response to the Indian proposal is in line with the mild tone of the Soviet-Viet Minh communiqué issued in Moscow on 18 July. The Soviet attitude is in contrast, however, with the earlier virulent Chinese-Viet Minh communiqué and subsequent propaganda from Peiping and Hanoi. The Soviet statement suggests that the USSR will not encourage the use of force by the Viet Minh because of South Vietnam's refusal to meet for pre-election talks on 20 July.



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WEEKLY SUMMARY
(14-20 July 1955)

THE FORMOSA STRAITS

**Report of the IAC Current Intelligence Group
for the Formosa Straits Problem**

1. The military situation has remained quiet.

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2. Peiping's propaganda has hinted that a continuation of calm in the Formosa Straits will depend on whether progress is made toward settling outstanding issues. Peiping radio has denounced American statements which allegedly implied satisfaction with a "de facto cease-fire."

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3. While Soviet spokesmen have been calling in general terms for a settlement of Asian problems, Peiping radio has twice this week called explicitly for an international conference on Far Eastern issues. Peiping has identified the main issues as those of Formosa, Korea and Indochina, arguing as usual that all three can be solved if foreign troops are withdrawn and foreign military bases abolished.

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